



The Commonwealth of Massachusetts

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Acknowledgments / Introduction

Chairwoman Spilka, Chairman Dempsey and Members of the Committee – thank you for the opportunity to testify on the Governor’s budget proposal and our economic outlook as we approach FY18.

Having just passed the halfway mark in my first term as State Treasurer, I am proud of all we have accomplished together so far.

Economic Empowerment

First, I would like to thank you for your ongoing support of the Office of Economic Empowerment.

The Economic Empowerment Trust Fund you authorized two years ago has helped us reach thousands of Massachusetts residents with information they need to navigate our complex financial world.

Additionally, SeedMA, our college savings pilot for kindergarteners in Worcester, is moving along and we are also up and running in Monson. This means that more kids are planning to attend college or vocational training school, and more families are learning the money management skills necessary to thrive today.

We will continue to grow this pilot over the next two years and our impact will grow as more kids are on the path to pursue higher education. Our hope is these kids will not only access better paying jobs but help fill the skills gap our state needs for a growing economy.

Then next Monday, we will announce a new program that focuses on low-income middle school students. It results from a terrific public-private partnership between the Legislature, a nonprofit, and our office. We look forward to facilitating this new effort to support more kids on the road to post-secondary skill attainment and economic stability.

Our partnership with the Division of Banks also expanded our Credit for Life Fairs, and by the end of this school year, we will have reached more than 20,000 high school students. Operation Money Wise, our financial education program for veterans and their families, has now served about 750 members of our military community.

The Governor's budget provides the \$435,000 we requested for FY18. With bipartisan support, and ongoing public-private partnerships, we look forward to sustaining these programs over time.

Lottery and Local Aid

Moving to the State Lottery, we were able to deliver \$989.4 million in net profit last year which served as an important source of unrestricted local aid for all 351 communities.

I think it is important to remember that last year's numbers were positively impacted by the \$1.5 billion Powerball jackpot, which boosted sales enormously.

But, we have continued to see instant ticket sales declining. With instant tickets being around 70% of our business, we have looked at other means to generate sales and profits.

Our goal this past year has been to increase efficiencies, expand profitable games such as Keno, and supplement our monitor game success with a new monitor game, "All or Nothing."

My mantra has been that we need to squeeze as much juice out of the lemon as we possibly can.

The Commissioners and management all agree that we need to find new sources of revenue as the market place continues to shift and change.

That is why I filed legislation to offer an online option for Lottery. We have every intention of continuing our ongoing and unwavering commitment to our brick and mortar retail partners, while continuing to meet our mission of providing funds to local communities.

I believe we all agree that cash only, point of sale transactions have been highly impacted by online retail businesses. Cyber Monday's sales exceeded Black Friday as the biggest shopping day of the year.

The Lottery needs to adapt to capture a new and growing market, collect better business intelligence, and institute safeguards that promote responsible gaming.

So, in order for us to continue supporting communities throughout the state, the Lottery will need modern tools to ensure our long-term success.

ABCC

The Alcoholic Beverages Control Commission (ABCC) helps generate economic development throughout our state, while helping to protect consumers and promote public safety. We verify and process more than 32,000 license transactions a year with a team of just 26 employees. We very much need increased funding in the Administration line item, from the \$2.27 million appropriated in FY17 to \$3.94 million in FY18.

We want to be able meet every community's and businesses' needs on a timely basis. Current staffing levels make it difficult for us to do that. We need several specialists in key areas; to be candid, we have one attorney at the ABCC serving the entire Commonwealth right now and we really need an associate general counsel.

I also want to point out that MassIT, which partnered with us on our e-licensing system, needs us to send them \$350,000, a number that will have a major impact on our operations, and one that we cannot absorb with flat funding.

Recognizing that alcohol statutes and regulations, plus expansions in business models have evolved over the last 100 years, I recently convened an Alcohol Task Force of governmental and legal experts to take an independent look at this industry.

They will provide my office with recommendations for updating our antiquated liquor laws and improving this system for everyone, and I look forward to their open, transparent, and inclusive study.

Marijuana

Next, I would like to give an update on the Cannabis Control Commission.

The Commonwealth faces a two-fold challenge in implementing our recreational marijuana laws: we must build a brand new agency and craft a regulatory framework for a new industry.

In addition, we need clarification from the federal government about any intention to pursue "greater enforcement" against marijuana. That's why I wrote a letter to the U.S. Attorney General this week, stating, "Fiscal responsibility requires predictability."

In the meantime, Commissioners, an Executive Director, a Chief Investigator, and other professional staff must be hired, and marijuana rules and regulations must be finalized to meet even the new deadlines for license issuance in Massachusetts.

Also, a software system that can track marijuana plants from “seed to sale” must be purchased and installed in order to start accepting license applications less than 13 months from now. Those details cannot be ironed out overnight.

Fortunately, we published our Request for Qualifications relative to licensing and tracking software prior to the vote on Question Four. We have reviewed all of those responses, and are preparing to release the final list of qualified vendors.

Any additional work at this time will require a commitment of resources, and candidly, there is not much else we can do until that happens.

Bond Rating/Pension Fund

Before I conclude, I want to address our stabilization and pension funds and reiterate my sentiments about our bond rating from my testimony in December.

Thanks in large part to this Committee’s fiscal discipline, Massachusetts has a strong rating that is the envy of many of our peers around the nation. But our success has been challenged in a very real way.

I thank the Governor for taking steps to facilitate additional deposits into our stabilization fund. I realize that making these deposits will require tough decisions from this Committee. But you know, as I do, that a strong rainy day fund is critical in preventing the threat of a rating downgrade, and protecting us from any financial downturns.

Equally important to our rating is managing our unfunded pension liability. I was pleased to see the Governor recognize that by committing nearly \$2.4 billion toward pension funding.

That will help us meet our obligations to state employees, public school teachers, and retirees, and it keeps us on pace to achieve full funding by 2036 – almost four years before the statutory requirement.

I trust you will keep those obligations front and center as you make other difficult decisions in the weeks to come.

Conclusion

As always, I am grateful to you for considering our requests. Our ability to generate revenues for the state depends on the support you have historically shown us.

I appreciate your efforts to produce a responsible state budget, as well as the opportunity to testify here today. Please consider my office a partner and a resource to you as you move forward with this process.

Now, my colleagues and I are happy to answer any questions you may have.